

State Infrastructure Banks & “Green Diesel”

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Federal gas taxes



- Monies raised thru the Federal gas tax (18.4 c gas; 24.4 c diesel) are disbursed back to State DOTs--mostly in the form of “formula grants”.
- Traditionally, they are for reimbursements for eligible “Fed-aid” highway projects--
 - Which projects are chosen by States & their MPOs.
 - & are owned & administered by state and local governments.

Federal Highway Tax Fund (HTF)

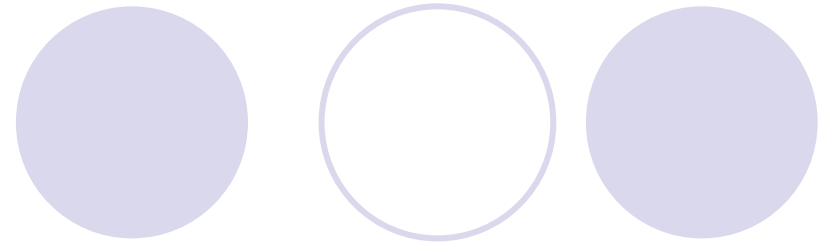
Monies: CMAQ

- Innovations in recent decades have created new funding categories that allow for non-traditional projects & project owners.
- CMAQ funds can be granted for all manner of projects that improve air quality in a non-attainment area,
 - Including, diesel engine retrofits by private owners.

Alternative to grants

- However, MPOs (who usually select CMAQ projects) often prefer not to grant monies to private sector firms.
- One available alternative is credit assistance via a Dot-created State Infrastructure Bank (Sib).

What is a SIB?



- A SIB is a special revolving fund which is used to issue loans for transportation projects. Loan repayments are placed back in the fund to provide further loans. Thus “revolving”.
- Besides loans, other forms of credit assistance can also be utilized:
 - loan guarantees, letters of credit, interest rate buy-downs etc.

Creating a SIB

- A State wishing to create a SIB would take a portion of its formula grants— and instead of budgeting it for a project-- would use it to “capitalize” a SIB.
 - The state would provide the local match at the time of capitalization.
- For instance, if \$40 m of Federal formula grants were used as seed capital, another \$10 m of State funds would have to be added in to “capitalize” the SIB.

Credit assistance

- The \$50 m pot would then be available to provide credit assistance to selected Title 23 projects.
- Further, Federal rules do not prevent a State Sib from working with banks and other financial intermediaries to co-offer credit assistance to borrowers.

Loans for diesel engine retrofits

- A State wishing to use a Sib to grant credit assistance for diesel retrofits could arrange for many kinds of programs:
 - Invite loan applications from individual truckers
 - Arrange for “wholesale” applications thru a state or local govt. intermediary for a combination of grants and credit assistance-- and possibly pre-review of applicants
 - Work thru a local bank to process loans, with the Sib only providing loan guarantees or interest-rate buy-downs.

Sibs in EPA Region V

- Of the six states, all but IL have existing Sibs. Unfortunately, the only truly active Sibs are in OH, MN, & MI. And even in the active States,
 - By-laws often require borrowers to be local governments,
 - & the Sibs tend to provide loans only for traditional highway projects.

Therefore, to create a diesel retrofit program using Sibs,

- A State Dot would have to be persuaded to set aside formula funds for loans rather than the traditional grants.
- Sib by-laws would have to be written to allow lending to non-traditional projects, like retrofits
- MPOs , who often make the project selection decision, would have to be persuaded to include this non-traditional project (retrofits) in their transportation plans (TIP).

A fair bit of work! But well worth doing!

- *Thank you.*
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